

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 FEA-01 SIL-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05
SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
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R 201033Z MAY 77

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 0641

AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BELGRADE

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY BERN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY REYKJAVIK

AMEMBASSY VIENNA

USMISSION EC BRUSSELS UNN

USMISSION OECD PARIS UNN

USMISSION GENEVA

USDEL MTN GENEVA UNN

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C O R R E C T E D C O P Y (GENEVA & MTN GENEVA ADDED AS INFO ADDEES
)

E.O. 11652: N/A

TAGS: ETRD, SW

SUBJ: SPECIALTY STEEL QUOTAS

REF: STOCKHOLM 1181

1. BEGIN UNCLASSIFIED. THE CORRESPONDENT FOR SWEDEN'S MOST IMPORTANT BUSINESS WEEKLY, VECKANS AFFARER, REPORTED AS FOLLOWS IN THE MAGAZINE'S EDITION OF MAY 18. BEGIN QUOTE. THE NEW US PRESIDENT JIMMY CARTER WILL IN ALL PROBABILITY DURING THE SUMMER REVIEW THE QUOTAS FOR IMPORTS OF SPECIALTY STEEL THAT HAVE HIT SWEDEN'S STEEL INDUSTRY, ALREADY IN DIFFICULTIES, VERY HARD.

2. "IT IS CLEAR THAT THE PRESIDENT LEANS TOWARD ABOLISHMENT OR AT LEAST LIBERALIZATION OF THE STEEL QUOTAS," SAYS JOHN DONALDSON, INFORMATION CHIEF AT THE SPECIAL TRADE REPRESENTATIVE OFFICE IN WASHINGTON, TO VECKANS AFFARER.

3. "THE DECISION RESTS WITH THE PRESIDENT, BUT THE REVIEW WILL TAKE A COUPLE OF MONTHS. HE MUST GET THE ADVICE OF THE COMMERCE SECRETARY, THE LABOR SECRETARY, AND THE INTERNATIONAL TRADE COMMISSION."

4. WHEN THE FIRST YEAR OF QUOTAS RUNS OUT ON JUNE 14, THE TRADE BARRIERS WILL BE RENEWED AUTOMATICALLY. THE QUOTAS COVER ABOUT 40 PERCENT OF SWEDISH STEEL EXPORTS TO THE US. NEARLY ALL THE SWEDISH QUOTAS WILL SOON BE FILLED. IN 1976, SWEDEN EXPORTED 52,000 TONS OF SPECIALTY STEEL TO THE US WORTH A TOTAL OF 369 MILLION KRONOR.

5. IT IS CONSIDERED IN EUROPE THAT THE UNITED STATES, BY ENFORCING THIS QUOTA SYSTEM, IS CONTRAVENING THE GATT AGREE-LIMITED OFFICIAL USE

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MENT AND ITS COMMITMENT TO CONTINUE THE FREE TRADE PRACTICES OF THE OECD.

6. LAST WEEK, THE US AND THE EC DISCUSSED THESE STEEL QUOTAS IN GATT, QUOTAS WHICH HAVE ALSO HIT THE STEEL INDUSTRY OF THE COMMON MARKET VERY BADLY. THE EC IS CONSIDERING SOME FORM OF RETALIATION. SWEDEN WILL BE NEGOTIATING WITH THE US IN GATT IN A MONTH'S TIME.

7. THE MAGAZINE UNDERSTANDS THAT THE SWEDISH GOVERNMENT WILL CONSIDER RETALIATING AGAINST US EXPORTS TO SWEDEN SHOULD THE COMMON MARKET CHOOSE THAT SOLUTION. END QUOTE. END UNCLASSIFIED.

8. BEGIN LIMITED OFFICIAL USE. COMMENT: MFA OFFICIAL WHEN ASKED ABOUT ARTICLE'S STATEMENT THAT SWEDEN WILL CONSIDER "RETALIATING", DENIED ANY NEAR-TERM INTENTION BY THE GOVERNMENT. "THE THOUGH IS ABSURD," HE SAID. NONETHELESS, OFFICIAL WENT ON TO SAY THAT THE PROCEDURES UNDER GATT FOR "COMPENSATION" DO NOT APPLY TO THIS SITUATION IN GOS EYES, CONSEQUENTLY

"RETALIATION" IS PERHAPS ONLY WORD WHICH COULD BE USED FOR ANY ACTION GOS MIGHT TAKE. IN THAT REGARD, OFFICIAL REPORTED HIS UNDERSTANDING THAT ECONOMIC POLICY COMMITTEE ON MAY 3 HAD RECOMMENDED TO ITC TO STUDY CONDITIONS UNDER WHICH QUOTAS MIGHT BE ABOLISHED. KNOWING THAT ITC MIGHT TAKE NINETY DAYS, OFFICIAL THOUGHT GOS WOULD DELAY TAKING ACTION PENDING ITC REPORT. HE AND OTHER WERE CONCERNED, HOWEVER, THAT THE EPC DECISION HAD NOT BEEN MADE PUBLIC SO PERHAPS IT WOULD NOT BE ALLOWED TO INITIATE ACTION BY THE ITC. WAS THIS A REFLECTION THAT THE WHITE HOUSE MAY WISH THE QUOTA PROGRAM TO CONTINUE, HE ASKED, RHETORICALLY. END LIMITED OFFICIAL USE.
PERRY

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